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CENTRAL INTELLIGENCE AGENCY

8 December 1948

INTELLIGENCE MEMORANDUM NO. 94

SUBJECT: matters of possible interest with reference to the visit of President Prío of Cuba.

President Prío has placed first on his list of topics to be discussed with US officials the Cuban desire for a larger fixed share of the US sugar market. Despite certain scarcities, black markets, and readjustments, the increased production and sales of sugar since 1942 have financed a prosperity that has enabled the Cuban standard of living to rise above prewar levels. Large sales of sugar to the US having been the principal source of this increased income, however, many Cubans feared that the reinstatement of the US quota system in 1948 would force reduced sugar production with a consequent, and radical, downward readjustment of national wage-price structure. Actually it has been possible for Cuba to dispose of practically all of its bumper 1948 crop, but fears still persist concerning the sale of the 1949 crop which will be harvested within the next few months. Meanwhile, Prío's recently announced decree concerning the price-wage-production cycle to the effect that the salary of sugar workers is to be maintained on the same level as last year, has made Cuba's future economic equilibrium dependent on the maintenance of production and income close to present levels in relation to prices the workers will have to pay.

Since Cuba buys most of its food from the US, there is a definite limit to what it can do independently to reduce food prices if the feared readjustment of wages resulting from a collapse of the sugar market, becomes necessary. For this reason, Prío has indicated that the US can help by allotting Cuba larger amounts of staples -- thus tending to lower prices. The same fear of radical readjustment motivates the Cuban desire for US economic and technical aid in the diversification of industry and in the construction of public works -- both of which, Cuba believes, tend to cushion the shock that might be occasioned by reduced production and marketing of sugar.

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As a quid pro quo for expected aid from the US, the Cubans offer their willingness to cooperate in US plans for Hemisphere defense. In this they are sincere not only as to military cooperation but in suppression of Communism. Prió personally led the campaign against the Communists in Cuba during the last year of the Grau regime.

Any attempt to make the granting of advantages such as Cuba enjoys in the US sugar market contingent on more immediately practical concessions, such as Cuban respect for the rights of US nationals, would be opposed by the present Cuban government. It can be expected to continue the policies of its predecessor which termed such action "economic aggression" and induced the Bogota Conference to adopt a resolution that "no state may use or encourage the use of enforcement measures of an economic or political character in order to force the sovereign will of another state."

The explanation for the seeming contradictions within this so-called "Grau Doctrine" (persistently advocated by Guillermo Belt, Ambassador to the US) lies in a Cuban desire to enjoy the benefits that would accrue if Cuba were a quasi-dependency, while simultaneously exercising prerogatives that go with extreme nationalism. The Cuban propensity to believe that the US---for a combination of historical reasons---has a special obligation to aid Cuba nourishes the first illusion, while popular pressure on Cuban statesmen compels them to strive for international prestige by striking independent attitudes, or leads them to favor laws that hamper the operations of foreign nationals within Cuba.

The present Cuban Government like its predecessor, is the product of the supremacy in Cuba of democratic, liberal forces born during the 1933 revolution against the dictator Machado. With regard to the stability of the existing regime, the Prió government probably has sufficient political and economic support to maintain its position for at least two more years. Unfavorable conditions could conceivably cause the loss of present majorities in both houses of Congress in the 1950 congressional elections. Until that time the government's 1948 victory at the polls will, it is estimated, discourage illegal and revolutionary opposition and tend to assure the durability of the regime.

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